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Kovaleff comment on the OTS proposed new rules:

I applaud the care that is being taken by the OTS in adjusting the rules, especially those governing MHC activity. With ramifications that affect not only investors and depositors, but the community as a whole, regulations cannot be promulgated without widespread comment from all segments of the public, namely banking administrators, depositors, investors, and community activists. Note that absent from the group is "the regulators." Care should be given when those responsible for regulating the industry offer their opinions: clearly, here, too, there can be a significant conflict of interest. Rarely, does a regulator seek to eliminate its responsibilities. Their testimony may be as self serving as that of an officer of an institution seeking ways to protect his/her place from an unfriendly acquirer.

All too often, regulatory authorities attempt to buttress their position by placing additional requirements on members of the industry which they regulate. In this case: The proposed mandate that, prior to a conversion, the converting thrift must demonstrate a need for new capital and show how it could use it to expand into other business lines. By making the requirements more onerous, and by giving the regulator more leverage, the OTS appears to be protecting its own interests while pretending to be helping the thrifts it supervises. The prospectus and the opportunity to discuss the material therein allows potential investors to determine whether the IPO is of the sort that is inline with their investment parameters. Absent fraud or misstatement it should not be in the purview of the OTS to preclude an institution from going public.

The commentary on share repurchases is most one-sided. If an institution wishes to go public and know the amount of capital it requires, and the OTS forces it to raise more due to their valuation of the issue, the company is then saddled with excess capital. In this situation, share repurchases become a legitimate capital management tool and should not be precluded by regulatory fiat.

The proposed rule changes continue the Mutual Holding Company-friendly attitude previously promulgated in the last set of proposed rules. The three or five year rule would protect MHC shareholders from managements which are entrenched, fat, and atrophied. While the constricts on shareholders of MHCs are well known and clearly described in the prospectus, unless thrift management is separated from MHC management, here, too, there is a conflict of interest, from which MHC shareholders must be protected.

Fairness requires that customers with *interest bearing* checking accounts should be treated the same way as others with accounts that also pay interest. I believe that up to date, this has been the practice. ~~Such account holders should continue to be allowed to participate in the demutualization should their account be of the required age as set forth for other depository accounts bearing interest.~~

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